

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 111 - SB 301

February 13, 2013

SUMMARY OF BILL: Exempts from state and local sales tax the retail sale of gold and silver coins issued as a legal currency by the United States or by a sovereign nation recognized by the United States.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact – \$3,098,300

Decrease Local Revenue – Net Impact – \$1,264,300

Assumptions:

- According to the Department of Revenue (DOR), 2012 taxable sales in Tennessee of gold and silver coins, including gold and silver bullion coins, issued as a legal currency, are reasonably estimated to be \$96,424,006.
- Fifty percent of taxable sales are for gold, silver, and platinum bullions and coins sold online for which no state and local sales tax is collected or remitted under current law due to nexus-related issues.
- Adjusted 2012 taxable sales are estimated to be \$48,212,003 (\$96,424,006 x 50.0%). This number is assumed to remain constant into perpetuity.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent.
- The recurring decrease in state sales tax revenue as a result of the proposed exemption is estimated to be \$3,374,840 (\$48,212,003 x 7.0%); the recurring decrease in local option sales tax revenue as a result of the proposed exemption is estimated to be \$1,205,300 (\$48,212,003 x 2.5%).
- Pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(A), local governments receive 4.603 percent of state sales tax revenue as state-shared sales tax revenue.
- Pursuant to Tenn. Code Ann. § 67-6-103(q), no portion of revenue derived from the 0.5 percent sales tax rate increase, from 5.5 percent to 6.0 percent (effective April 1, 1992), or the 1.0 percent sales tax rate increase, from 6.0 percent to 7.0 percent (effective July 15, 2002), shall be distributed to local government.
- The effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617% [(5.5%/7.0%) x 4.603%].

- The recurring decrease in local revenue pursuant to the state-shared allocation as a result of the proposed exemption is estimated to be \$122,068 ($\$3,374,840 \times 3.617\%$).
- The net recurring decrease in state sales tax revenue as a result of the proposed exemption is estimated to be \$3,252,772 ($\$3,374,840 - \$122,068$).
- The total recurring decrease in local sales tax revenue as a result of the proposed exemption is estimated to be \$1,327,368 ($\$1,205,300 + \$122,068$).
- Fifty percent of tax savings will be spent in the economy on other sales-taxable goods and services.
- Recurring tax savings are estimated to be \$4,580,140 ($\$3,374,840 + \$1,205,300$).
- The recurring increase in state sales tax revenue as a result of 50 percent of tax savings being spent in the economy is estimated to be \$160,305 ($\$4,580,140 \times 50.0\% \times 7.0\%$).
- The recurring increase in local option sales tax revenue as a result of 50 percent of tax savings being spent in the economy is estimated to be \$57,252 ($\$4,580,140 \times 50.0\% \times 2.5\%$).
- The recurring increase in local revenue pursuant to the state-shared allocation as a result of 50 percent of tax savings being spent in the economy is estimated to be \$5,798 ($\$160,305 \times 3.617\%$).
- The net recurring increase in state sales tax revenue as a result of 50 percent of tax savings being spent in the economy is estimated to be \$154,507 ($\$160,305 - \$5,798$).
- The total recurring increase in local sales tax revenue as a result of 50 percent of tax savings being spent in the economy is estimated to be \$63,050 ($\$57,252 + \$5,798$).
- The net recurring decrease in state revenue as a result of this bill is estimated to be \$3,098,265 ($\$3,252,772 - \$154,507$).
- The net recurring decrease in local revenue as a result of this bill is estimated to be \$1,264,318 ($\$1,327,368 - \$63,050$).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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